

FISCAL NOTE

Bill #: HB0318

Title: Increase taxes on beer and wine

Primary Sponsor: Fisher, S

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Revenue:		
General Fund	\$15,612,590	\$16,155,433
State Special Revenue (DPHHS)	\$74,432	\$77,840
Net Impact on General Fund Balance:	\$15,687,022	\$16,233,273

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns
<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

- This proposal increases the tax rates on each barrel of beer as provided in section 1 of this bill. The table shows the current law tax rates, tax rates under this proposal, and the difference between the current law tax rates and the tax rates under this proposal.
- The new beer tax rates apply to beer sold by a wholesaler on or after July 1, 2003.
- Under current law, beer tax revenues are distributed 76.74% to the state general fund and 23.26% to the Department of Public Health and Human Services state special alcohol account. A portion of beer tax revenue is refunded from the general fund to those tribes that have a revenue sharing agreement with the state.
- Under this proposal, beer tax revenues are distributed 94.5% to the state general fund and 5.5% to the Department of Public Health and Human Services state special alcohol account. The tribes still receive a portion of the beer tax.
- Increasing the beer tax rates will generate new gross revenue of \$14,292,865 in fiscal 2004 and \$14,979,886 in fiscal 2005. Revenue to the state general fund will *increase* by \$14,223,551 in fiscal 2004

HB318 As Introduced Beer Tax per Barrel				
Barrels	-----Tax per Barrel-----		----Change----	
	Current Law	Proposed Law	\$	%
<=5,000	\$1.30	\$6.00	\$4.70	362%
5,001 to 10,000	\$2.30	\$10.60	\$8.30	361%
10,001 to 20,000	\$3.30	\$15.20	\$11.90	361%
>20,000	\$4.30	\$19.80	\$15.50	360%

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(continued)

and \$14,762,329 in fiscal 2005. Revenue to the Department of Public Health and Human Services state special alcohol account will **increase** by \$69,314 in fiscal 2004 and \$72,646 in fiscal 2005.

6. The impacts in assumption five are calculated using a model developed by the Department of Revenue (DOR). The Revenue and Transportation Committee (RAT) beer tax revenue estimate under current law for fiscal years 2004 and 2005 is used as the base. In addition to RAT's base estimate, a price elasticity of demand for beer of 0.10 is used in this model. The model assumes the price of a barrel of beer will increase by the same amount (in dollars) of a tax increase.
7. This proposal increases the tax rate on each liter of table wine from \$0.27 to \$0.47 as provided in section 2 of this bill.
8. The new wine tax rate applies to wine imported by a table wine distributor or the Department of Revenue on or after July 1, 2003.
9. Under current law, wine tax revenues are distributed 69% to the state general fund and 31% to the Department of Public Health and Human Services state special alcohol account. A portion of wine tax revenue is refunded from the general fund to those tribes that have a revenue sharing agreement with the state.
10. Under this proposal, wine tax revenues are distributed 82% to the state general fund and 18% to the Department of Public Health and Human Services state special alcohol account. The tribes still receive a portion of the wine tax.
11. Increasing the wine tax rate will generate new gross revenue of \$1,394,157 in fiscal 2004 and \$1,414,801 in fiscal 2005. Revenue to the state general fund will **increase** by \$1,389,039 in fiscal 2004 and \$1,393,104 in fiscal 2005. Revenue to the Department of Public Health and Human Services state special alcohol account will **increase** by \$5,118 in fiscal 2004 and \$5,194 in fiscal 2005.
12. The impacts in assumption eleven are calculated using a model developed by the Department of Revenue (DOR). The Revenue and Transportation Committee (RAT) wine tax revenue estimate under current law for fiscal years 2004 and 2005 is used as the base. In addition to RAT's base estimate, a price elasticity of demand for wine of 0.10 is used in this model. The model assumes the price of a liter of wine will increase by the same amount (in dollars) of a tax increase.

FISCAL IMPACT:

Revenues:

	FY 2004 Difference	FY 2005 Difference
General Fund (01)	\$15,612,590	\$16,155,433
State Special Revenue (DPHHS) (02)	\$74,432	\$77,840

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$15,612,590	\$16,155,433
State Special Revenue (DPHHS) (02)	\$74,432	\$77,840

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Tribal governments will receive additional revenues under the increased tax rates

LONG-RANGE IMPACTS:

Revenue going to the state general fund and the Department of Public Health and Human Services state special alcohol account will continue to be greater than under current law.

TECHNICAL NOTES:

1. If stockpiling occurs prior to July 1, 2003, then the revenue impacts provided in this fiscal note are overstated in fiscal 2004.